

Property Tax Deduction/Credit (Lines 36 and 44) - continued

The property tax **deduction** reduces your taxable income. Therefore, the tax benefit varies depending on the amount of your taxable income, the amount of your property taxes or rent, and your filing status. To determine the actual tax benefit you will receive (how much you will reduce your tax liability) when claiming a property tax deduction, you must calculate your tax liability both with a deduction and without a deduction. The property tax **credit** reduces your tax due. The credit increases the total payments and/or credits on Line 49, Form NJ-1040. These payments and/or credits are subtracted directly from your tax liability. Taxpayers who do not reduce their tax liability by

\$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse) when claiming the property tax deduction should claim the property tax credit instead.

For recorded information on the property tax deduction/credit, call our automated TaxTalk service from a Touch-tone phone at 1-800-323-4400 (toll-free within New Jersey, New York, Pennsylvania, Delaware, and Maryland) or 609-826-4400. You may also request our publication *Property Tax Deduction/Credit Frequently Asked Questions*. See "NJ TaxTalk" on page 63.

**Eligibility Requirements.** To be eligible for a property tax deduction **or** property tax credit:

- ♦ You must have been domiciled and maintained a principal residence as a homeowner or tenant in New Jersey during 2003; and
- ♦ Your principal residence, whether owned or rented, must be subject to local property taxes, and property taxes must have been paid on that residence either as actual property taxes or through rent; and
- ♦ Your rented dwelling must have its own separate kitchen and bath facilities; and

### Schedule 1 – Property Tax Deduction/Credit

Complete both columns of this schedule to find out whether the Property Tax Deduction or the Property Tax Credit is better for you. **Do not complete this schedule if you claim a credit for taxes paid to other jurisdictions.** Complete Schedule A.

1. **Property Tax.** Enter the property taxes you paid in 2003. Renters enter 18% of rent paid in 2003.

See instructions page 36.

1. \_\_\_\_\_

2. **Property Tax Deduction.** Enter Line 1 or \$10,000, whichever is less. Also enter this amount on Line 4 below. See instructions page 36.

2. \_\_\_\_\_

3. Taxable Income (Copy from Line 35 of your NJ-1040) .....

4. Property Tax Deduction (Copy from Line 2 of this schedule) .....

5. Taxable Income After Property Tax Deduction (Subtract Line 4 from Line 3) .....

6. Tax you would pay on Line 5 amount (Go to Tax Table or Tax Rate Schedules and enter amount) .....

7. Subtract Line 6, Column A from Line 6, Column B and enter the result here .....

8. **Is the Line 7 amount \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse)?**

☐ Yes. You receive a greater tax benefit by taking the Property Tax Deduction. Make the following entries on Form NJ-1040.

Form NJ-1040

Line 36

Line 37

Line 38

Line 44

Enter amount from:

Line 4, Column A

Line 5, Column A

Line 6, Column A

Make no entry

☐ No. You receive a greater tax benefit from the Property Tax Credit. (**Part-year residents**, see instructions on page 14 before answering "No.") Make the following entries on Form NJ-1040.

Form NJ-1040

Line 36

Line 37

Line 38

Line 44

Enter amount from:

Make no entry

Line 5, Column B

Line 6, Column B


\$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse). **Part-year residents**, see instructions on page 14.

Column A		Column B	
3.		3.	
4.		4.	– 0 –
5.		5.	
6.		6.	
7.		7.	

continued

## Line 1 - Property Tax/Rent

Enter on Line 1 your property taxes (or 18% of rent) due and paid during 2003 on your qualified residence.

**TAX TIP**  **Property Tax Reimbursement Applicants.** If you are eligible for a property tax reimbursement for 2003 and file your application on Form PTR-1, enter on Line 1 the amount of your 2002 property taxes as reported on Line 14 of your 2003 Property Tax Reimbursement Application, Form PTR-1. (For homeowners, this is the gross amount of property taxes due *before* any senior citizen's deduction or veteran's deduction or REAP credit was subtracted. For mobile home owners, this is 18% of 2002 site fees.)

### PTR-1 Example

2002 Property Taxes Paid .....	\$4,000.00
Senior Citizen's Deduction .....	+ 250.00
Veteran's Deduction .....	+ 200.00
REAP Credit .....	+ 0.00
2002 Gross Property Taxes Due .....	\$4,450.00
(Line 1, Schedule 1)	

If you are eligible for a property tax reimbursement for 2003 and file your application on Form PTR-2, enter on Line 1 the amount of your 2003 property taxes (mobile home owners use 18% of 2003 site fees) *minus* the amount of any property tax reimbursement you received for 2002. (For this calculation, homeowners use gross amount of property taxes due for 2003 *before* any senior citizen's deduction or veteran's deduction or REAP credit was subtracted.)

### PTR-2 Example

2003 Property Taxes Paid .....	\$4,000.00
Senior Citizen's Deduction .....	+ 250.00
Veteran's Deduction .....	+ 250.00
REAP Credit .....	+ 59.00
2003 Gross Property Taxes Due .....	\$4,559.00
2002 Property Tax Reimbursement .....	- 196.00
Line 1, Schedule 1 .....	\$4,363.00

**NOTE:** If you owned your home with someone other than your spouse or if your home consists of more than one unit, the amount of property taxes you report must reflect your percentage of ownership or the proportionate share of property taxes for the unit you occupy as your principal residence.

For more information on the Property Tax Reimbursement Program, request our publication *Property Tax Reimbursement Frequently Asked Questions*.

**Married, Filing Separate Return.** If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, enter on Line 1 one-half of the property taxes (or 18% of rent) due and paid. Also see Note under Line 2.

**Multiple Residences, Owners, Units, or Tenants.** Complete Schedule HR-A before completing Line 1, Schedule 1 if:

- ♦ You lived in more than one qualifying residence during 2003; or
- ♦ You shared ownership of a principal residence during the year with anyone other than your spouse; or
- ♦ Your principal residence during the year consisted of multiple units; or
- ♦ Anyone other than your spouse occupied and shared rent with you for an apartment or other rental dwelling unit.

If you were a homeowner, enter the amount from Line 6, Schedule HR-A on Line 1, Schedule 1. If you were a tenant, enter 18% of the amount from Line 12, Schedule HR-A on Line 1, Schedule 1. If you were both a homeowner and a tenant during the year, add the amount from Line 6, Schedule HR-A and 18% of the amount from Line 12, Schedule HR-A and enter the total on Line 1, Schedule 1.

**Part-Year Residents.** A part-year resident who meets the qualifications is eligible for a property tax deduction or credit. Complete Schedule 1 and enter on Line 1 the total amount of property taxes (or 18% of rent) due and paid during your period of residence (see page 14).

## Line 2 - Property Tax Deduction

Enter the amount on Line 1 or \$10,000, whichever is less. Also enter this amount on Line 4, Column A.

**NOTE:** If your filing status is married, filing separate return and you and your spouse maintain the same principal residence, and Line 1 is \$5,000 or more, enter \$5,000 on Line 2. If Line 1 is less than \$5,000 enter the amount from Line 1.

## Line 3 - Taxable Income

For each column, enter on Line 3, Schedule 1 the amount from Line 35, Form NJ-1040.

## Line 4 - Property Tax Deduction

Enter on Line 4, Column A the amount from Line 2, Schedule 1.

## Line 5 - Taxable Income After Property Tax Deduction

For each column, subtract Line 4 from Line 3 and enter the result on Line 5.

## Line 6 - Tax on Line 5

For each column, enter on Line 6 the amount of tax on the income shown on Line 5. Use the Tax Table on page 53 or the Tax Rate Schedules on page 62 to calculate the amount of tax.

## Lines 7 and 8 - Deduction/Credit Determination

To determine whether a property tax deduction or a property tax credit is more beneficial to you, subtract Line 6, Column A from Line 6, Column B and enter the result on Line 7. **Part-year residents see instructions on page 14 before continuing.** If Line 7 is \$50 or more (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax deduction. If Line 7 is less than \$50 (\$25 if filing status is married, filing separate return and you maintain the same residence as your spouse), you will receive a greater benefit by taking the property tax credit. Follow the instructions on Schedule 1 for completing Lines 36, 37, 38, and 44, Form NJ-1040.